

Airlines Adding Non-Stop Flights at SAT



Air service at San Antonio International Airport (SAT) continues to grow, as Northwest Airlines will begin offering new nonstop service to its hub in Detroit beginning July 1, 2002. Northwest Flight #1888 will depart San Antonio daily at noon and arrive in Detroit at 4:00 p.m., while return Flight #1887 will depart Detroit at 9:05 a.m. and arrive in San Antonio at 11:14 a.m. daily. San Antonio will become the 131st nonstop destination served by Northwest and its partners through its global Detroit network. Northwest said the increased functionality and gate capacity of its new \$1.2 billion, 97-gate, WorldGateway facility helped make it possible for the airline to offer the new route. This is the fourth new nonstop announced by San Antonio International Airport in less than a year.

Sun Country Airlines

Sun Country Airlines recently inaugurated new nonstop service to Laughlin, Nevada. The service began on February 28, 2002 with Flight #107 departing San Antonio on Thursdays and Sundays at 2:30 p.m. and arriving in Laughlin at 4:00 p.m. The return flight leaves Laughlin on Thursdays and Sundays at 10:15 a.m. and arrives in San Antonio at 1:30 p.m.

Overall, San Antonio International Airport now provides flights to 31 nonstop destinations. In the past 3 years, five other cities have been added to the growing list of non-stops including San Diego, CA; Raleigh-Durham, NC; Minneapolis-St. Paul, MN; Kansas City, MO; and Tampa, FL.

IN THIS ISSUE

Cover Story:

- * Airlines Adding Non-Stop Flights at SAT
- * SAT Named Outstanding Airport in Texas!

SAT \$138.4 Million Bond Deal	2
2001 Traffic Status	2
East Air Cargo Expansion	3
Southwest Incentive Program	3
San Antonio Conventions	4
SAT Stats	4

SAT Named Outstanding Airport in Texas!



L to R: Guillermo Villalobos (FAA), Mike Nicely (FAA), Kevin Dolliole (SAT), Naomi Saunders (FAA), Les Heinen (SAT).

The Southwest Region of the Federal Aviation Administration (FAA) announced March 7, 2002 that San Antonio International Airport (SAT) has received an "Outstanding Airport Award". The "Outstanding Airport Award" is awarded to one airport in each of the five states in the FAA's Southwest region. The award is presented in recognition of excellence in overall airport management in areas of: use of Airport Improvement Program funds; diligence in planning and implementing projects; compliance with FAA safety standards; and airport maintenance. Texas airports, large and small, were considered with San Antonio International being selected.

Aviation Director Kevin C. Dolliole accepted the "Airport of the Year" award at the FAA Joint Conference in Fort Worth. "We have an excellent staff at the airport, who has time and time again demonstrated proactive leadership," said Dolliole. "This award comes as a result of the professionalism, knowledge and dedication of the Aviation Department staff." Dolliole added, "It's also a great tribute to the partnership we've developed with the FAA, the tenants and users of this facility and to the city leaders who support us in our overall operation."

SAT Retains High Ratings in New \$138.4 Million Bond Deal

Two bond issues were sold in March totaling \$138.4 million to finance a significant portion of the Airport's \$426 million Capital Improvement Program. The bond issues included \$99.7 million in General Airport Revenue Bonds (GARBs), which are backed by airport revenues, including airfield fees, terminal fees, and parking revenue, and \$38.8 million in Passenger Facilities Charge (PFC) bonds, which are to be repaid by a \$3.00 PFC fee that was initiated November 1, 2001.

Fitch and Standard & Poors assigned an A+ rating to the GARBs, while Moody's Investors Service assigned an A1 equivalent rating. These ratings are the same as the current SAT issued bonds, which were recently affirmed following the September 11 terrorist attacks. Fitch assigned an A+ rating to the \$38.8 PFC bonds. Moody's assigned an A2 rating and S&P rated the bonds A-minus.

In its statement, Fitch Ratings, indicated that it feels SAT continues to have a strong outlook with relatively strong passenger trends in the post-September 11 environment, which will produce financial margins adequate to accommodate increasing GARB debt service requirements. Fitch also stated that historically stable passenger demand from a diverse pool of airlines points to dependable cash flow and solid debt coverage.

Moody's also anticipates a stable outlook for the Airport. According to Moody's, the A1 rating reflects the strong economy of the Airport's service area, the Airport's diverse carrier mix, the modest debt and competitive costs after funding of the capital program, and the system's strong financial position. Moody's notes that the Airport has been impacted by the reduction in air traffic following the September 11 terrorist attacks, but has demonstrated above average resilience.

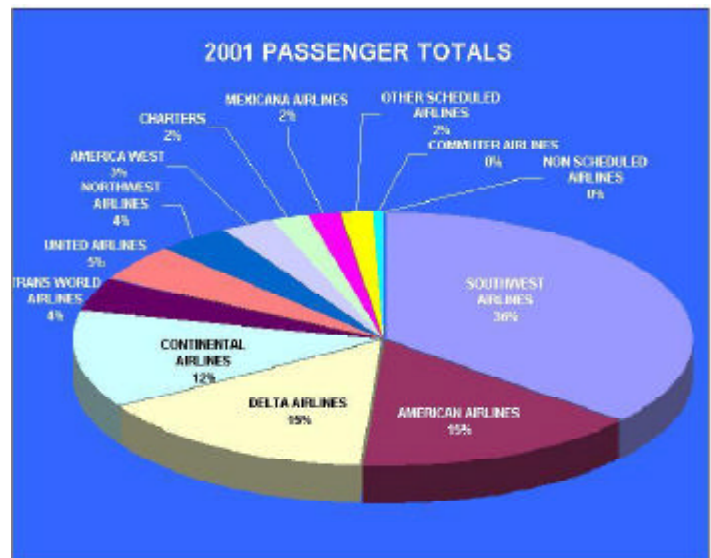
Effects of Sept. 11 Results in 2001 Decreased Traffic

Due to the events and aftermath of September 11, airports across the country saw passenger traffic decline. San Antonio International Airport (SAT) was no exception; however, SAT has performed better than most U.S. airports. In September, while passenger counts were down 35% nationwide, compared to the same time in 2000, SAT was down 34.5%. In October, San Antonio's passenger traffic was down 14% compared to the nationwide average of 25%, and in November its traffic had dropped by only 13.7% from 2000 compared to the 20% nationwide. December's national passenger traffic was down 14% from 2000, while SAT's rate of travelers had only decreased by 9.2%.

Enplaned passengers in 2000 were up 3.1% over 1999, but lost ground in 2001. Total boardings for the year (3,444,875) decreased 5.5% and deplanements (3,459,521) were down 5.4% when compared to 2000's numbers.

Southwest Airlines continues to hold the largest market share with 36% followed by American and Delta, each with 15% of the market. Continental came in with 12.4% of the market, while United, TWA and Northwest hold 5%, 4% and 4%, respectively. American West (3%), Mexicana (2%), Sun Country (1%), Midwest Express (1%) and other carriers round out the market.

Air Cargo in San Antonio decreased 21% in 2001 compared to 2000. Integrator cargo carriers Federal Express, UPS and Airborne share the bulk of the air cargo market with 32%, 31% and 7%, respectively. Airline-belly cargo held 19% of SAT's cargo market in 2001.



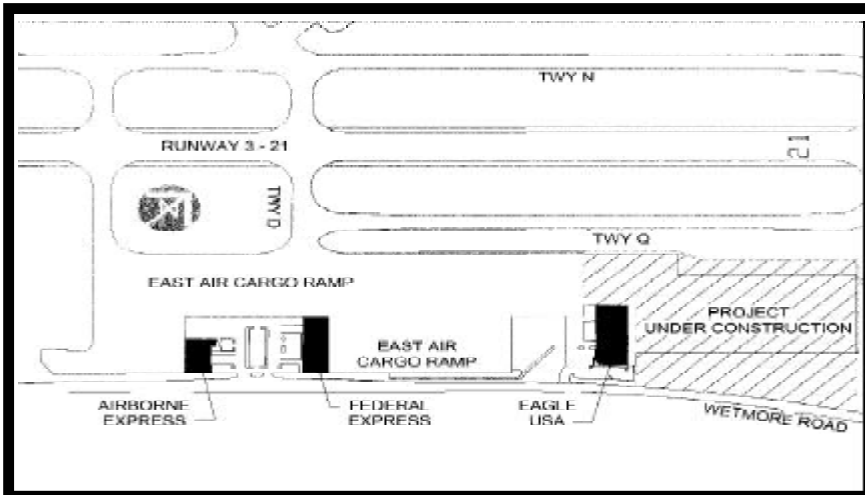
East Air Cargo Apron Expansion Phase II Nears Completion



San Antonio International Airport's Master Plan calls for all integrator cargo carriers to operate from the East Air Cargo facilities located between Taxiway Quebec and Wetmore Road. For the near future, airline belly freight operators will continue cargo handling at the West Air Cargo facilities located at 10,000 John Saunders Road, where they have been operating since 1974. A new belly freight facility is planned for completion within the next five years and will be located at Northern Boulevard and Airport Boulevard.

The initial construction of the multi-phased development at the East Air Cargo site consisted of new apron facilities (approximately 82,300 square yards) for Airborne Express and Federal Express, both completed in 1992. The first expansion of the East Air Cargo site was completed in 1997, with the installation of an additional 36,300 square yards of full-strength apron. This expansion facilitated EGL (Eagle) Global Logistics' construction of a new 40,000 square-foot building (completed in April 2000) for cargo processing.

The second phase of expansion to the East Air Cargo Facilities began in March 2001 with the current apron expansion project. This further development of the site allowed for the demolition of abandoned facilities and installation of approximately 47,100 square yards of full-strength concrete apron, connecting it to the Phase I apron and Eagle's facilities. This project is 88% complete, with an estimated completion date of June 2002. Completion of this project will bring the total to 165,700 square yards of apron.



Additional projects, which are considered part of the East Air Cargo Expansion Phase II development, include the Landside Roadway Project and the Ramp and Parking Project, estimated for completion by January 2003. The Landside Roadway Project will provide vehicle access between the newly expanded apron and Wetmore Road. Additionally, it will provide a signalized intersection at Wetmore Road that will serve as a single point of access for Eagle, a prospective new tenant and other future tenants. The Ramp and Parking Project will provide additional apron area that can accommodate smaller aircraft and provide vehicle parking for up to 120 cars.

Southwest Takes Part in SAT Incentive Program

With City Council's approval of the Aviation Department's Fiscal Year 2002 budget, \$200,000 was budgeted for implementation of the Air Service Development Incentive Program. Under the program, \$25,000 is available to the first air carrier that begins scheduled nonstop service to a new destination from San Antonio. Also, at a minimum, the eligible airline must provide one (1) daily round-trip frequency, six (6) days per week, on a "mainline" jet aircraft (e.g., Boeing 737, MD-80, DC-9, etc.) configured with a minimum of 80 seats or greater. An additional \$25,000 is available to the same air carrier when a minimum of two (2) daily round-trip frequencies, six (6) days per week, is initiated "simultaneously" on the same type of mainline aircraft.



Advertising support, up to a "maximum" of \$25,000, is also available to the first air carrier providing, at a minimum, two (2) new daily frequencies, six (6) days per week, on a regional jet aircraft.

Southwest Airlines recently initiated once-daily nonstop flights to the formerly unserved markets of San Diego, CA and Raleigh-Durham, NC and is the first airline to qualify for the advertising assistance. On March 14, 2002, City Council approved payment of \$25,000 to Southwest Airlines for each new nonstop flight destination initiated October 25, 2001. The total of \$50,000 is to be spent locally in support of the Southwest's advertising campaign to promote the new air service to San Diego and Raleigh-Durham.

SAN ANTONIO CONVENTIONS

During the second quarter of 2002, the City of San Antonio will host more than 200 conventions with over 220,000 delegates. Among those visitors to San Antonio will be:

DATES	ORGANIZATIONS	DELEGATES
April 03	Sysco Food Services-Food Show	3,000
April 5-8	National Association of Elementary School Principals	6,500
April 21-24	Lawson Software	6,000
April 30-May 1	IMARK Communications	6,000
May 2-4	Texas Dental Association	10,000
May 10-12	Integrated Merchandising Systems, Inc.	20,000
May 14-18	American Payroll Association	3,000
May 26-30	NAFSA: Association of International Educators	5,000
June 4-7	Society of Cable Telecommunications Engineers	8,500
June 17-20	National Education Computing Association	11,000
June 22-26	National Congress of Parents & Teachers	2,200
June 29	Texas Poultry Federation	1,000

2001 SAT YEAR-TO-DATE STATS

	Through Dec. '00	Through Dec. '01	Change
Domestic Enplanements	3,497,616	3,328,371	-4.8%
International Enplanements	120,556	107,871	-10.5%
Charter Enplanements	28,922	8,663	-70.1%
Total Enplanements	3,647,094	3,444,875	-5.5%
Total Freight (lbs)	194,938,318	160,692,070	-17.6%
Total Mail (lbs)	79,922,503	56,938,661	-28.8%